

# THE BUFFALO NEWS

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Another voice/ Alternative Minimum Tax

## Lack of inflation indexing increases AMT's reach

By Thomas M. Reynolds

In 1969, Congress received some unexpected news: three years earlier, some 155 well-off taxpayers had not paid any federal income tax. However, these taxpayers did not necessarily do anything illegal; they used commonly available deductions and tax credits to eliminate their tax burden.

In response, Congress soon passed legislation to ensure that the nation's wealthiest taxpayers paid at least some tax. The Alternative Minimum Tax (AMT) was born.

Unfortunately for many Western New York middle-class taxpayers, this tax has become anything but alternative or minimum.

The glaring problem with the AMT is that Congress failed to index the tax for inflation. This means that the AMT secretly sneaks up on more and more middle-class taxpayers each year. In fact, without legislation to correct this stealth tax, 20 million additional middle-class taxpayers throughout the country, including thousands of Erie County residents, will see a massive, unintended tax increase next year.

Instead of fixing the AMT's flaws, policy makers in Washington have made the problem worse. In 1986, Congress raised the AMT rate to 21 percent, and in 1990 raised it even further to 24 percent. In 1993 a Democratic-controlled Congress and a Democratic president enacted the largest tax increase in history including an even higher AMT rate structure — 26 percent and 28 percent. In 1999 President Bill Clinton vetoed a Republican bill that would have abolished the AMT altogether.

Where does that leave Western New York's middle-class taxpayers? Squarely in the cross-hairs of the AMT. If nothing is done, a middle-class Erie County taxpayer will see a tax increase of \$3,842 next year. Additionally, the AMT also leads to hundreds of hours of extra tax preparation time and confusion from having to fill out two tax forms. The reward for filling out two tax forms? The IRS makes taxpayers pay the higher of the two amounts. Some reward!

Instead of rewarding taxpayers with a complex tax system, Congress has to act to get rid of the AMT permanently. It should at a minimum pass a one-year "fix." This was the case last year when Congress could not agree on permanent abolishment.

Rather than increase taxes on millions of unsuspecting middle-class taxpayers, I led the successful effort to enact a one-year "fix" of the AMT. It passed the House 414-4, a rare but significantly important bipartisan achievement in Washington.

Once again, Congress faces the challenge of preventing this tax from becoming a reality for millions of middleclass taxpayers. The time to act is now, and at minimum Congress should pass a one-year fix so America's families can have peace of mind about the AMT for next year's tax filing. A one-year fix will also give Congress the time it needs to develop a more comprehensive plan to permanently fix this stealth tax once and for all.

*Rep. Thomas M. Reynolds, R-Clarence, has led AMT reform efforts.*